

Repayment of trade facilities deferred by banking sector for another 90-day period

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA), together with the Banking Sector SME Lending Coordination Mechanism (Mechanism), today (July 19) announced a further 90-day repayment deferment for trade facilities under the Pre-approved Principal Payment Holiday Scheme (Scheme).

Since early this year, the heightened geopolitical tension has exacerbated pressure on the global supply chain. As inflation continues to rise around the globe, major central banks have tightened monetary policies and raised interest rates, adding to the financial burden on corporates. Meanwhile, the local economy has only started to stabilise in the wake of the fifth wave of COVID-19 infections. Significant uncertainty lies ahead for import and export businesses. The Mechanism has therefore decided to extend the repayment period of trade facilities under the Scheme for a further 90-day period until the end of October this year, when the whole Scheme will expire. The HKMA and the Mechanism will then conduct a holistic review and decide on the way forward for the whole Scheme.

Corporate customers participating in the repayment deferment for trade facilities under the Scheme can extend trade facilities falling due between August and October this year for a further 90 days. Eligible corporate customers can also apply for a 90-day extension of trade facilities drawn down from May 2022 to the end of July 2022. For facilities which are self-liquidating in nature, banks may require the loan to be settled when the customer has received the underlying payment. For trade loans which have been successively extended for 270 days or more since first being drawn down, banks may adopt a flexible approach and consider whether other forms of relief are more suitable to help the customers ride out the current difficulties on a case-by-case basis, subject to prudent risk management principles.

The Mechanism encourages customers that are financially capable and willing to resume some principal repayment in exchange for greater certainty to their future repayment schedule to take up the partial principal repayment option pursuant to the HKMA's guidance of February 23, 2022. For trade facilities, banks may discuss with customers having regard to their actual circumstances and allow them to repay the amount due by regular instalments over a period of two years.

If corporate customers have enquiries about the Scheme, please contact the HKMA via the dedicated email account (ppphs@hkma.gov.hk) or enquiry hotline (2878 1199).

Background

The Banking Sector SME Lending Coordination Mechanism was established by the HKMA in October 2019. Participants include 11 banks that are most active in SME lending. The Hong Kong Association of Banks and the HKMC Insurance Limited are also represented in the Mechanism. Since its establishment, the Mechanism has rolled out several rounds of relief measures for corporate customers, including the Scheme, loan tenor extensions, and the conversion of trade financing lines into temporary overdraft facilities. At the end of June 2022, banks had granted over 95 000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of HK\$1 trillion.

The Scheme covers all corporate customers that have an annual sales turnover below HK\$800 million and that have no seriously overdue loan payments. The Scheme took effect in May 2020 with around 100 participating banks and covers around 120 000 eligible corporate customers. The Scheme has been extended in November 2020, May 2021, November 2021 and May 2022, for six months each time, to the end of October 2022. From May to October 2020, 19 000 eligible corporate customers participated in the Scheme (participation rate of 16%). Between November 2021 and April 2022, the number of participating corporate customers dropped to 2 600 (participation rate of 2.3%).